

# Timing is Everything

## Saver's Credit: A Bonus for Saving in Tough Economic Times

Many people are rethinking their spending habits and cutting back these days. However, your retirement savings may be the wrong place to cut back. More money in your pocket now means less money when you and your family may need it later. Try making the most of your salary deferrals. Remember, the more of your pre-tax wages that you contribute to your retirement plan, the less your taxable income will be for the year.

Low- and moderate-income taxpayers can save even more on their taxes by saving for retirement. The [Saver's Credit](#) is a tax credit of up to \$1,000 (\$2,000 if married filing jointly) if you contribute to a traditional or Roth IRA, 401(k), 403(b), governmental 457, SARSEP or SIMPLE IRA plan.

The credit is equal to 50%, 20% or 10% of your contribution depending on your adjusted gross income reported on Form 1040 or 1040A (federal income tax return). The maximum annual contribution for determining the credit is limited to \$2,000 per person. The credit you may claim against your 2009 taxes is shown in the following table:

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of Contribution	not more than \$33,000	not more than \$24,750	not more than \$16,500
20% of Contribution	\$33,001 - \$36,000	\$24,751 - \$27,000	\$16,500 - \$18,000
10% of Contribution	\$36,001 - \$55,500	\$27,001 - \$41,625	\$18,001 - \$27,750
0% of Contribution	more than \$55,500	more than \$41,625	more than \$27,750

\*single, married filing separately or qualifying widow(er).

For 2010, the income limits to claim the credit at the 50% rate are increased to: \$33,500 for married filing jointly; \$25,125 for head of household; and \$16,750 for all other filers. The starting income limits to claim the 20% rate are increased to: \$33,501 for married filing jointly; \$25,126 for head of household; and \$16,751 for all other filers. All other income limits remain the same for 2010.

Claim the 2009 Saver's Credit by filing [Form 8880](#), *Credit for Qualified Retirement Savings Contributions*.

See [Publication 590](#), *Individual Retirement Arrangements (IRAs)*, for additional information.

